



Advising the Congress on Medicare issues

Overview of the PPS for inpatient psychiatric facility care

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October 3, 2008

How common are severe mental disorders in the Medicare population?

- Overall, estimated 9 percent of all beneficiaries have a severe mental disorder
- 37 percent of beneficiaries under age 65 have a severe mental disorder
- Presence of mental illness and/or substance abuse:
 - compromises treatment for general health conditions
 - increases the use and cost of general health care
 - is a major risk factor for adverse behaviors such as smoking

Medicare's inpatient psychiatric benefit

Beneficiaries with mental illnesses or substance abuse issues who are considered a risk to themselves or others may be treated in IPFs.

- Deductible = \$1,024 in 2008; copayment = \$256 per day for days 61–90
- Covered for 90 days of care per illness with a 60-day lifetime reserve
- Lifetime limit of 190 days in freestanding psychiatric hospitals
- Scatter beds

Inpatient psychiatric facilities

- Covered services include:
 - supervision and behavioral management
 - drug therapy
 - Individual, group, and family therapy
 - psychosocial rehabilitation
 - illness management training
 - electroconvulsive therapy (ECT)
- About 30% of revenues from Medicare
- \$4.0 billion Medicare spending in 2006

Inpatient psychiatric facilities, 2000-2007

Type of IPFs	2000	2007	Average annual change 2000-2004	Average annual change 2005-2007
All IPFs	1,982	1,822	-1.9%	-0.6%
Urban	1,529	1,365	-2.4	-1.0
Rural	453	456	-0.4	0.3
Freestanding hospitals	524	486	-2.9	1.0
Hospital-based units				
PPS hospital units	1,458	1,266	-1.8	-1.4
CAH units	0	70	n/a	2.2
Nonprofit	1,111	1,023	-1.6	-1.2
For profit	391	311	-5.0	-3.8
Government	480	488	-0.4	2.9

Medicare's IPF PPS

- Implemented in January 2005
- Pays for the per diem costs associated with furnishing covered inpatient psychiatric services
- Per diem payment rate
 - RY 2009 per diem base rate = \$638
 - Covers routine operating, ancillary & capital costs
 - Adjusted for patient and facility characteristics
- Add-on payment for each ECT treatment (\$275 in RY 2009)

IPF PPS: Patient adjustments

- Diagnosis—Patients assigned to one of 15 psychiatric DRGs
- Age—In general, payment increases with increasing age over 45
- Comorbidities—recognizes the increased costs associated with 17 secondary patient conditions (e.g., renal failure and diabetes)
- Length of stay—Per diem payments decrease as patient length of stay increases

IPF PPS: Facility adjustments

- Wage index
- Teaching
- Cost of living (AK and HI)
- Rural location—IPFs in rural areas are paid 17% more than urban IPFs
- Emergency department—IPFs with qualifying EDs are paid 12% more for their patients' first day of stay

IPF PPS: Cost outliers

- Outlier pool = 2 percent of total payments
- Outlier threshold = \$6,113 in RY 2008
- For cases with costs greater than the total per case payment plus the threshold, Medicare covers:
 - 80 percent of costs for days 1–9
 - 60 percent of costs for days 10+

Utilization and spending, 2002 and 2006

	2002	2006	Avg % change 2002-2006
Cases	464,772	473,488	0.5%
Cases per 1,000 FFS beneficiary	13.9	13.6	-0.5
Spending per FFS beneficiary	\$94.7	\$108.8	3.5
Payment per case	\$6,822	\$7,984	4.0
Length of stay	12.0	11.8	-0.4
Unique beneficiaries	299,903	312,329	1.0

IPF discharges vary by state

State	2006 IPF discharges	IPF discharges per 1,000 FFS beneficiaries
Top 5		
Louisiana	15,050	28.4
Massachusetts	20,897	25.4
Mississippi	11,127	25.2
Rhode Island	2,720	23.3
Tennessee	17,184	21.4
Bottom 5		
Oregon	2,320	6.1
Alaska	300	5.7
Wyoming	363	5.2
Montana	450	3.2
Hawaii	258	1.6

Most common types of cases in IPFs, 2006

DRG	Description	Discharges	Percentage
430	Psychosis	345,601	73.0%
12	Degenerative nervous system disorders	36,741	7.8
429	Organic disturbances & mental retardation	29,972	6.3
426	Depressive neurosis	16,268	3.4
523	Alcohol/drug use without rehabilitation	11,824	2.5
521	Alcohol/drug use with comorbid conditions	10,598	2.2
	Total	473,488	100.0

Source: MedPAC analysis of MedPAR data from CMS.

Change in the types of cases treated in IPFs, 2002-2006

DRG	Description	2002 Discharges	2006 Discharges	Change
12	Degenerative nervous system disorders	25,122	36,741	46.3%
521	Alcohol/drug use with comorbid conditions	7,353	10,598	44.1
429	Organic disturbances & mental retardation	40,169	29,972	-25.4
424	Procedure with principal diagnosis of mental illness	1,241	817	-34.2
425	Acute adjustment reaction	5,315	3,450	- 35.1
Total		464,772	473,488	1.9

Source: MedPAC analysis of MedPAR data from CMS.

IPF discharges by age, 2002-2006

	Share of	Share of	Percent
	total	total	change
Race	2002	2006	2002-2006
<45	32.3%	30.1%	−5.1%
45-64	28.8	33.9	19.8
65-79	22.9	21.2	−5.7
80+	16.0	14.8	−5.4
Total discharges	100.0	100.0	1.9

Source: MedPAC analysis of MedPAR data from CMS.

IPF discharges by beneficiary race

Race	Share of total 2002	Share of total 2006	Percent change 2002-2006
White	78.1%	77.0%	0.5%
African American	16.7	17.7	8.0
Hispanic	2.2	2.4	10.4
Asian American	0.6	0.8	34.7
Native American	0.4	0.6	45.7
Other	1.7	1.2	-26.0
Unknown	0.3	0.3	-5.6
Total discharges	100.0	100.0	1.9

Medicare-covered length of stay, 2002 and 2006

Types of IPFs	Mean covered days 2002	Mean covered days 2006	Percent change
All	12.0	11.8	−1.4%
Urban	12.1	12.0	−1.4
Rural	11.1	11.0	−1.0
Freestanding hospitals	14.2	14.1	−0.8
Hospital-based units			
PPS hospital units	11.3	11.0	−2.7
CAH units	n/a	11.2	n/a
Nonprofit	11.2	10.9	−2.3
For profit	11.8	11.6	−1.2
Government	14.5	14.5	−0.3

Share of discharges by type of IPF, 2002-2006

Type of IPFs	2002	2006
Urban	84.9%	84.1%
Rural	15.0	15.9
Freestanding hospitals	23.9	26.6
Hospital-based units		
PPS hospital units	76.1	71.5
CAH units	0.0	1.9
Nonprofit	59.2	57.8
For profit	20.0	20.9
Government	20.8	21.2

Source: MedPAC analysis of MedPAR data from CMS.

IPF policy issues

- Adequacy of payment
 - Access to care
 - Quality of care
 - Provider access to capital
 - Provider costs and margins
- Accuracy of payment
- Use of scatter beds